

## **Excess General Fund Oversight Board Meeting November 21, 2006, 4 p.m. Conference Call**

Board members included on this conference call: Jan Nicolay, John Pedersen, Larry Lucas, Rodger Leonard and Tom Oster.

Other DOE participants: Susan Woodmansey

Guests: Jason Bailey, Supt. of Bridgewater School District

Purpose of this meeting was to discuss all submitted requests for exemption received for the calculation of excess general fund balance. Requests submitted for the board's review included the following:

• Bridgewater School District	\$ 18,740.11
• Flandreau School District	\$ 98,587.00
• Harding County School District	\$ 209,905.00
• Spearfish School District	\$1,150,000.00
• Wolsey-Wessington School District	\$ 227,050.61
• Yankton School District	\$ 115,534.75

The board will review and discuss each application first and then go back and take final action to either approve or deny.

As per ARSD 24:17:02:03 the below factors shall be considered by the board for recommending an exemption:

1. Revenue needed in the following fiscal year to replace items lost due to a natural disaster;
2. Revenue needed in the following fiscal year for expanding educational programs;
3. Pending reorganization of the district;
4. Revenues received as a result of another district dissolving and attaching;
5. Significant transfers out of the general fund that were necessary to maintain the vitality of another fund;
6. Revenues received that could not reasonably be anticipated by the district.

### **Bridgewater School District, \$18,740.11:**

The request included two components; the first \$14,240.11 was requested due to the impact of their reserve for unemployment. In 2002 the board, due to accounting changes, elected to transfer this money to the general fund. In 2005 the allowance for it to be held as a "reserve" of the general fund was eliminated. The business manager was unaware that this would cause this amount to be included in this calculation. The second part of this request was due to a transfer of \$4,500 to the food service fund which was losing money despite an increase in meal prices.

Flandreau School District, \$98,587:

This request also was broken down into three factors. An amount of \$54,000 was requested to be exempted due to a donation from the Santee Sioux Tribe in FY06 for the Reading Recovery Program for elementary students. The district was asking for an allowance of \$54,000 (unused portion of this donation) to be carried over to continue the program in FY07.

Also an amount of \$24,276 was received in additional interest from a CD; and an amount of \$20,311 was received as a result of a dividend program through EMC Insurance Companies.

Harding County School District, \$209,905:

The Harding County School District's request outlined three revenue sources for which they received significantly more than budgeted. These revenues were gross receipts, mineral leasing and national minerals.

Madison Central School District, \$30,312.12:

This request was made as a result of increased revenues received and included two identified revenues received; dividend from workman's compensation (\$6,071) and the heating reimbursement funding (\$24,241.12).

Spearfish School District, \$1,150,000:

The request from the Spearfish School District was specifically related to the sale of an elementary school building and adjoining land. The sale of these capital assets was done to allow the district to continue existing course offerings, maintain class sizes and prevent further cuts in the budget. The district was also anticipating a decrease in future enrollments.

Wolsey-Wessington School District, \$227,050.61:

Due to an accounting transaction of the Wessington School District prior to the split and reorganization with Wolsey and Miller DOE was not recognizing an accurate amount of the cumulative opt out of this previously operated district.

Yankton School District, \$115,534.75:

The total request for exemption was broken down into two revenues that could not be anticipated by the district. The first was for additional revenue received for state apportionment from the Office of School and Public Lands. The amount of this request was \$96,624.79. The second revenue included in this request was for the heating reimbursement funding in the amount of \$18,909.96.

**FINAL ACTION:**

**Bridgewater:** Motion made Rodger Leonard to approve an exemption in the amount of \$4,500 which was needed to maintain the vitality of the food service fund. This motion was seconded by John Pedersen, all board members concurred and motion passed.

**Flandreau:** Motion made by Larry Lucas to approve an exemption in the amount of \$20,311. This was a dividend amount that could not reasonably be anticipated by the district. This motion was seconded by Rodger Leonard, all board members concurred and motion passed.

**Harding County:** Motion made by Larry Lucas to approve an exemption in the amount of \$142,731. This is the amount of the difference between actual 2005 and 2006 for the revenue sources identified. This motion was seconded by Rodger Leonard, all board members concurred and motion passed.

**Madison Central:** Motion made by Rodger Leonard to approve an exemption in the amount of \$6,071. This was the amount of the dividend received by the district. This motion was seconded by John Pedersen, all board members concurred and motion passed.

**Spearfish School District:** Motion made by Larry Lucas to approve an exemption in the amount of \$400,000. It was discussed that in the previous year an amount of \$750,000 was exempted by this board and therefore that portion of this request did not meet any criteria under which the board may consider. This motion was seconded by Tom Oster, all board members concurred and motion passed.

**Wolsey-Wessington:** Motion was made by John Pedersen to approve an exemption in the amount of \$152,757 (66.42% of the total amount of transfer from Wessington School District to the county). This motion was seconded by Tom Oster, all board members concurred and motion passed.

Since this accounting transaction also impacted the Miller Area School District the board instructed DOE to take the remaining amount of the transfer (\$77,229) and recognize as cumulative opt out in the calculation of Miller Area School District's excess fund balance.

**Yankton:** Motion made by Larry Lucas to deny this request for exemption. Motion was seconded by Rodger Leonard, all board members concurred and motion passed.

Based on the above actions of the board the following amounts will be reflected in the calculation as exempted by this board:

• Bridgewater	\$ 4,500
• Flandreau	\$ 20,311
• Harding County	\$142,731
• Madison Central	\$ 6,071
• Spearfish	\$400,000
• Wolsey-Wessington	\$152,757
• Miller Area	\$ 77,229
• Yankton	\$ --

## **Reconsideration Requested by Dr. Melmer**

On Wednesday, January 24, 2007 Dr. Melmer emailed all board members and asked for their reconsideration the initial decision of this board for the following school districts; Flandreau and Spearfish.

In his memo to the board he asked for reconsideration based on the following:

Dr. Melmer would ask that this board reconsider and amend their exemptions for both the Flandreau and Spearfish School Districts based on the following:

- Flandreau - \$54,000. This amount would be added to the already approved amount of \$20,311. This reconsideration and approval would be based on ARSD 24:17:02:03 (#6) Revenues received that could not reasonably be anticipated by the district.
- Spearfish - \$750,000. This amount too would be added to the already approved amount of \$400,000. This reconsideration and approval would be based on "special circumstances". An accompanying note to the district would also state that this exemption would be limited to 3 additional years and beyond that time could not be treated as a "special circumstance". The basis of the approval of this exemption would be in the language of SDCL 13-13-76, which states "if a school district can demonstrate to the Excess General Fund Oversight Board that its general fund balance percentage is the result of special circumstances."

All board members were asked to forward their responses to Susan Woodmansey. This response may either approve/concur the above requested reconsideration or deny.

A majority of board members concurred with this request for reconsideration and therefore the following amounts will be recognized on the fund balance worksheets as "exempted" by this board:

- |                            |             |
|----------------------------|-------------|
| • Flandreau Amended Amount | \$ 74,311   |
| • Spearfish                | \$1,150,000 |